ALGONQUIN MERCANTILE CORPORATION

23rd Annual Report
For the Fiscal Year Ended
June 30, 1979

C. H. FRANKLIN

ALGONQUIN MERCANTILE CORPORATION

HEAD OFFICE

Suite 200, 931 Yonge Street, Toronto, Ontario M4W 2H7

MANUFACTURING DIVISIONS

D. Higgins, Vice President and General Manager .... Coupco Division
570 Coronation Drive, Scarborough, Ontario

B.W. Major, General Manager .... AMC Appliances Limited
857 Fenmar Drive, Weston, Ontario

PRINCIPAL OPERATING SUBSIDIARIES

Hardee Farms International Ltd.
Suite 200, 931 Yonge Street, Toronto, Ontario

The Baxter Canning Co. Limited
7 Stanley Street, Bloomfield, Ontario

Creston Valley Foods Ltd.
P.O. Box 5000, Creston, British Columbia

ALGONQUIN MERCANTILE CORPORATION

BOARD OF DIRECTORS

W.R. Abbott	Don Mills, Ontario
*D.S. Anderson	Willowdale, Ontario
C.H. Franklin	Willowdale, Ontario
*R.M. Franklin	Toronto, Ontario
F.D. Lace	Toronto, Ontario
*C.C. Laking	Willowdale, Ontario
**E.R.S. McLaughlin	Oshawa, Ontario
*D.E. McQuigge	Toronto, Ontario
A.W. Walker	Willowdale, Ontario

Audit Committee Chairman (**) and Members (*)

EXECUTIVE OFFICERS

C.H. Franklin	Chairman of the Board and Chief Executive Officer
A.W. Walker	President
R.M. Franklin	Executive Vice President
W.R. Abbott	Vice President and Secretary
D.H. Kirstine	Vice President Finance

HEAD OFFICE

931 Yonge Street . . . . Toronto, Ontario M4W 2H7

AUDITORS

Coopers & Lybrand . . . . Toronto, Ontario

SOLICITORS

Fasken & Calvin . . . . Toronto, Ontario

TRANSFER AGENTS & REGISTRAR

Guaranty Trust Company of Canada . . . . Toronto, Ontario

BANKERS

The Royal Bank of Canada
Canadian Imperial Bank of Commerce

STOCK LISTING

Toronto Stock Exchange

ANNUAL MEETING

The Annual Meeting of Shareholders will be held in the Simcoe Room of The Sheraton Centre, 123 Queen Street West, Toronto, Ontario at 11:15 o'clock in the forenoon on Tuesday November 13, 1979.

ALGONQUIN MERCANTILE CORPORATION

Chairman's Report to Shareholders

It is gratifying to be able to report a profitable 1979 fiscal year after the loss sustained a year ago. The operating profit of $21,291 (3¢ per share) before extraordinary income reflects an improvement of $988,283 over the preceding year and final net earnings after extraordinary income for the year ended June 30, 1979, amounted to $1,913,863 ($3.01 per share).

Your Company continues to monitor and participate in promising investment situations as the accompanying portfolio analysis will indicate. Net gains of $1,700,760 were realized on disposals during the year and the market value of securities held at year end exceeded their book value by $2,196,496.

Encouraging progress has been made toward rezoning of the remaining 92 acre Rivalda Farms property on Weston Road. Subject to appropriate regulatory approvals, Algonquin should soon be able to proceed with long delayed plans for light industrial development of this very valuable asset in Vaughan Township.

Although consolidated results were again impacted by an operating loss of $192,641 incurred by Hardee Farms International Ltd., the business of that subsidiary showed a significant turnaround to provide most of the consolidated operating improvement recorded during the year. It is anticipated that the financial affairs of Hardee will continue to show favorable progress.

With achievement of much of the desired turnaround in Hardee's operating results, attention is now being directed to the restoration of a satisfactory working capital position for that company. Certain excess farm acreage has been sold since year end for amounts substantially greater than book value and the company has offered to enter into sale or leaseback arrangements for its extensive and valuable prime agricultural lands. In addition with rising current interest in peat for energy and other uses, Hardee's 3,800 acre undeveloped peat property at Alfred, Ontario, is being offered for sale or joint venture development. These actions have already materially strengthened the consolidated working capital base and expected additional realizations should add further support while simultaneously reducing the impact of high interest costs on future operating results.

During the year Federal Diversiplex Limited was amalgamated into Hardee by the issuance of 324,237 common shares and subsequent to the year end Hardee's former 71.43% interest in The Baxter Canning Co. Limited was increased to 99.1% control with the issuance by Hardee of 68,286 common shares and 6% five year promissory notes to the value of $115,950 in exchange for the Baxter shares acquired. The closer relationships between these companies will be beneficial in terms of operating efficiencies and cost savings.

For several years your Company has paid dividends on all outstanding shares on a semi-annual basis. In December, 1978, Algonquin paid its first 5¢ per share quarterly dividend and the quarterly rate was subsequently doubled to become 10¢ per share with the dividend paid in March, 1979.

A total of 11,666 Algonquin Class A preference shares were purchased for cancellation during the year, leaving 190,222 shares of that class and 444,238 common shares outstanding at the year end. Attention is directed to the fact that, exclusive of unrealized gains on assets and investments held at fiscal year end, the net book value of each outstanding Algonquin share increased to $15.37 per share from $12.53 per share one year ago.

In summary, 1979 was a good year for Algonquin in which much was accomplished. We appreciate the support and loyalty of our employees, shareholders, customers and suppliers and look to the future with optimism and confidence.

On behalf of the Board,

C. H. Franklin

September 18, 1979 — C.H. Franklin, *Chairman*

President's Report

Although consolidated operating results for the year ended June 30, 1979, remained at a basically unsatisfactory level the substantial recovery from the major adversities of the preceding year clearly evidences an encouraging trend. Except for the sharp, Hardee-related increase in interest expense, results would have been materially better than the modest profit of $21,291 recorded before extraordinary income. We are hopeful that economic conditions may soon provide a measure of relief from the abnormally high interest rates which impacted Hardee's results over the past twelve months.

Parent Company Operations:

Volume and profitability of AMC Appliances Limited were again improved over the previous year and outlook for further advancement of this increasingly important division is encouraging. Relocation to new premises during the year provided overdue relief from the crowded and costly operating conditions which existed at the former location. Sales of electric kettles, slow cookers, and other kitchen products under the Jubilee label have been brisk and your Company's electrical appliances have earned a broad and loyal support base through most Canadian department store, catalogue, and other retail outlets. Introduction of Jubilee electric kettles in the U.S. marketplace has also produced an encouraging response.

Most of the seasonal fluctuations which formerly affected production scheduling have now been overcome so that AMC Appliances is busy on a year round basis. A new appliance — the Jubilee Breakfast Nook — was developed over the course of the past year and will enter the

marketplace this fall. The compact Breakfast Nook with its variable heat control and removable grease catcher combines the benefits of a portable non-stick electric griddle with the convenience of a covered warming oven to keep finished foods piping hot while others are cooking. Trade response to the introduction of this unique appliance has been most enthusiastic and we hold high expectations for strong consumer acceptance when it appears in Canadian and U.S. retail outlets.

Coupco division operations remained highly competitive during the past year so that anticipated improvements in domestic results did not materialize. Steps have been taken to significantly strengthen senior management of this division which is now seeking to expand its traditional mining oriented operating base by more aggressive marketing and distribution of Couplox pipe couplings and fittings for use in the mechanical contracting field (plumbing, heating, and air-conditioning) and as components in fire protective sprinkler installations.

The success realized as a result of last year's venture into the U.S. pipe coupling market through Algonquin's 50% investment in the shares of Intertech Industries Inc. of Hawthorne, New Jersey, has been very encouraging. Acceptance of Couplox products has been excellent and a profitable base for this rapidly expanding new enterprise has now been firmly established.

Hardee Farms' Operations:

The welcome turnaround in the affairs of Algonquin's 54% controlled subsidiary contributed significantly to the improvement in consolidated operations.

Results from agricultural activities were materially better in spite of lower than average returns from certain crops. Trading margins for frozen vegetables and frozen french fried potatoes regained some of the ground lost in the two preceding years and continue to move toward more satisfactory levels.

Of major significance to the past year was Hardee's previously announced decision to curtail production of frozen french fries in response to the uncompetitive pricing of raw potatoes by Ontario growers through their Potato Marketing Board. This action was taken to avoid repetition of the major losses forced upon the company by potato growers in the 1979 fiscal year. As long as raw potato pricing in Ontario remains unrealistic against overwhelming and unregulated competition from other provinces, Hardee will continue to limit its annual schedule of french fry processing commitments to the volume of raw potatoes harvested from company controlled farms.

Particular encouragement was provided in the past year by a marked increase in non-seasonal production volume at the Baxter plant. With the canning of drinks, juices, and other non-seasonal products this operation is now busy on a year round basis with significant improvement in results over those attainable when the plant was inactive for almost six months in each year. Although the gains from these new activities were not sufficient to offset the inadequate margins realized from seasonal canning operations, it is hoped that depressed conditions in the vegetable canning industry will soon improve so that the full potential of the excellent Baxter facility may be realized.

Hardee's non-agricultural activities continue to perform well. Results of the HONEYDEW Beverage Division were again improved and volume has further strengthened in the current year. The Freeze-Dry Foods Division's domestic operations were favourable but a reduction in bulk export volume held overall results below the record level experienced a year ago.

Curtailment of frozen french fry operations and extremely competitive conditions in the fresh produce business have combined during the past two years to significantly reduce the historic contribution of the Bradford Division to Hardee's consolidated results. Special attention is being directed toward establishing longer term perspectives for this operation with particular emphasis on the very substantial value of assets employed in its agricultural operations.

Outlook for Hardee's 65% controlled subsidiary Creston Valley Foods Ltd. remains promising but, as a result of raw material problems encountered by the company's pouch supplier, the past year was particularly frustrating to progress in bringing Creston's revolutionary new retort pouched products to production on a commercial scale. Marketing of the relatively limited supply of approximately three-quarter million pounds of retort pouched potato products processed in 1979 has met with most enthusiastic consumer response in both domestic and export markets. Numerous approaches have been made by parties seeking export marketing and production licensing arrangements under the patents and technology owned exclusively by Creston Valley Foods Ltd. In view of these strongly positive considerations Creston has transferred its pouch supply contract under a guarantee of deliveries to another supplier in whom it holds more confidence, and is in process of negotiating with government authorities and others for development assistance grants and financing sufficient to permit resumption of full scale operations this fall.

GENERAL:

In the face of the extreme adversities experienced in the 1978 fiscal year it is heartening to now report on the significance of improvements realized to June 30, 1979. It is even more gratifying to observe that with the further gains presently anticipated the outlook for return to satisfactory profit levels in the current fiscal year is favourable.

AW Walker

September 18, 1979 — A.W. Walker, President

CONSOLIDATED BALANCE SHEET
AS AT JUNE 30, 1979

ASSETS

	1979 $	1978 $
CURRENT ASSETS		
Accounts receivable	3,816,846	3,517,768
Inventories	10,217,902	8,231,286
Prepaid crop and other expenses	1,450,467	1,123,779
Current portion of mortgages receivable	179,261	354,251
Income taxes recoverable	—	101,245
	15,664,476	13,328,329
INVESTMENTS (notes 3 and 8)	4,421,826	5,813,789
INVESTMENT IN UNCONSOLIDATED SUBSIDIARY (note 4)	429,294	429,694
FIXED ASSETS (note 5)	10,510,033	11,011,268
OTHER LAND (note 6)	886,263	872,525
TRADEMARKS	495,650	499,880
GOODWILL	614,893	620,081
	33,022,435	32,575,566

SIGNED ON BEHALF OF THE BOARD
C.H. Franklin, *Director*
E.R.S. McLaughlin, *Director*

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of Algonquin Mercantile Corporation as at June 30, 1979 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

LIABILITIES

	1979 $	1978 $
CURRENT LIABILITIES		
Bank advances and acceptances (note 7)	9,573,630	8,864,168
Accounts payable and accrued liabilities	4,502,042	3,483,782
Income taxes payable	114,255	—
Current portion of long-term debt	1,072,847	1,064,741
	15,262,774	13,412,691
LONG-TERM DEBT (note 8)	5,003,462	7,805,208
DEFERRED INCOME TAXES	110,000	269,000
MINORITY INTEREST (note 9)	2,892,978	2,993,286
	23,269,214	24,480,185

SHAREHOLDERS' EQUITY

	1979 $	1978 $
CAPITAL STOCK (note 10)		
Authorized —		
915,062 5¢ Class A, non-voting, non-cumulative participating preference shares without par value		
500,000 common shares without par value		
Issued and fully paid —		
190,222 (1978 — 201,888) Class A preference shares; 444,238 common shares	3,111,099	3,176,732
RETAINED EARNINGS	6,642,122	4,918,649
	9,753,221	8,095,381
	33,022,435	32,575,566

In our opinion, these consolidated financial statements present fairly the financial position of the company as at June 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario
August 24, 1979

COOPERS & LYBRAND
Chartered Accountants

CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1979

	1979	1978
	$	$
SALES		
Processed and fresh vegetables	24,799,692	26,328,498
Other	8,609,248	6,648,633
	33,408,940	32,977,131
COST OF SALES AND OTHER EXPENSES	31,277,637	32,239,660
DEPRECIATION	764,078	797,487
	32,041,715	33,037,147
EARNINGS (LOSS) FROM OPERATIONS BEFORE INTEREST	1,367,225	(60,016)
INTEREST (note 8)	1,714,668	1,555,026
LOSS FROM OPERATIONS BEFORE INCOME TAXES	347,443	1,615,042
RECOVERY OF INCOME TAXES		
Current	122,250	27,000
Deferred	159,000	16,000
	281,250	43,000
	66,193	1,572,042
MINORITY INTEREST IN LOSS OF SUBSIDIARIES	87,484	605,050
EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEMS	21,291	(966,992)
EXTRAORDINARY ITEMS (note 11)	1,892,572	(121,601)
NET EARNINGS (LOSS) FOR THE YEAR	1,913,863	(1,088,593)
PER COMMON SHARE:		
Earnings (loss) for the year before extraordinary items	$0.03	($1.49)
Net earnings (loss) for the year	$3.01	($1.68)

Earnings (loss) per common share on a fully diluted basis is not significantly different from that reported above. The earnings (loss) per share has been calculated for 1979 on 635,635 shares and for 1978 on 647,211 shares. The Class A preference shares have been treated as common shares for purposes of the calculation.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED JUNE 30,1979

	1979	1978
	$	$
RETAINED EARNINGS — BEGINNING OF YEAR	4,918,649	6,071,936
Net earnings(loss) for the year	1,913,863	(1,088,593)
	6,832,512	4,983,343
Dividends	190,390	64,694
RETAINED EARNINGS — END OF YEAR	6,642,122	4,918,649

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED JUNE 30,1979

	1979	1978
SOURCE OF FUNDS	$	$
Earnings (loss) for the year before extraordinary items	21,291	(966,992)
Depreciation and other items not requiring an outlay of funds	571,912	851,101
	593,203	(115,891)
Proceeds on disposal of fixed assets	416,450	1,276,448
Proceeds on disposal of investments	6,461,503	151,971
Long-term debt incurred	500,000	2,647,595
Reduction of income taxes arising from prior years	222,000	27,000
	8,193,156	3,987,123
USE OF FUNDS		
Purchase of fixed assets	652,980	995,023
Purchase of investments	3,368,780	1,084,812
Retirement of long-term debt	3,301,746	857,427
Mortgages receivable from disposal of fixed assets	—	462,000
Purchase of Algonquin Mercantile Corporation shares		
Common	—	13,394
Preference	65,633	5,514
Purchase of minority interest shares of subsidiaries	34,966	38,473
Minority interest in loss of subsidiaries	87,484	605,050
Trademarks and process development costs	5,113	2,694
Investment in and advances to Bestpac Limited	—	203,094
Investment in unconsolidated subsidiary	—	270,017
Dividends	190,390	64,694
Start-up cost written off on discontinuance of operations of Straub Industries Inc.	—	206,681
	7,707,092	4,808,873
INCREASE (DECREASE) IN WORKING CAPITAL	486,064	(821,750)
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	(84,362)	737,388
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	401,702	(84,362)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1979

1. SUMMARY OF ACCOUNTING POLICIES

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and all subsidiary companies, except for Creston Valley Foods Ltd. (see note 4), at their respective fiscal year-ends with appropriate provision for minority interests. The results of all subsidiaries are included from the dates of acquisition and are accounted for as purchases.

(b) Corporate joint venture

The company accounts for its investment in a corporate joint venture on an equity basis.

(c) Inventories

Inventories are valued at the lower of cost and net realizable value.

(d) Prepaid crop expenses

Crop expenses attributable to the current farm program are included in prepaid crop expenses.

(e) Fixed assets

Fixed assets are depreciated principally on a straight-line basis over their estimated useful lives as follows:

Buildings	—	20 to 40 years
Equipment	—	7 to 17 years

(f) Trademarks

This asset is carried at cost, since it is not anticipated that its inherent worth will decline below cost.

(g) Goodwill

Upon the acquisition of each purchased subsidiary, some of which are now divisions, the acquisition costs were allocated to that subsidiary's identifiable net assets on the basis of estimated fair values at the date of acquisition, with any excess being carried as goodwill. All such goodwill arose prior to April, 1974 and is not being amortized so long as there is no evidence of impairment in value.

(h) Income taxes

The companies follow the tax allocation method of providing for income taxes. Under this method timing differences between reported and taxable income result in adjustments to deferred income taxes.

2. ACQUISITIONS OF MINORITY INTEREST OF SUBSIDIARIES

On December 16, 1978, a subsidiary, Hardee Farms International Ltd. (Hardee) and one of its subsidiaries, Federal Diversiplex Limited (Federal) were amalgamated under the provisions of Section 137 of the Canada Corporations Act. Under the terms of the amalgamation, the shareholders of Hardee received one common share of the amalgamated company for each Hardee share held and the shareholders of Federal (other than Hardee) received three common shares of the amalgamated company for each Federal share held.

As at June 30, 1979 the company owned 54.09% of the outstanding common shares of Hardee and Hardee owned 71.43% of the outstanding shares of The Baxter Canning Co. Limited.

3. INVESTMENTS

Investments are as follows:	1979		1978	
	Cost	Market	Cost	Market
	$	$	$	$
238,623 common shares of Consumers Glass Company Limited	—	—	2,724,627	4,295,214

	1979 Cost	1979 Market	1978 Cost	1978 Market
	$	$	$	$
100,000 Class A common shares of Hugh Russel Inc.	1,337,080	1,400,000	—	—
125,000 common shares of Canadian Foremost Limited . .	647,760	1,046,875	—	—
125,000 common shares of J. Harris & Sons Limited	540,490	750,000	540,490	812,500
96,400 common shares (1978 - 312,400 common shares) of Kaps Transport Ltd	120,157	171,592	395,040	421,740
$356,200 10% convertible income debentures of Kaps Transport Ltd. The debentures are convertible to 712,400 common shares up to October 31, 1979	356,200	1,268,072	356,200	961,740
20,000 common shares of the Bank of Nova Scotia (net of amount unpaid — $260,400)	223,868	216,695	—	—
205,000 common shares (1978 - 505,000 common shares) of Tintina Silver Mines Limited	102,005	666,250	251,281	303,000
20,000 common shares of Alliance Building Corporation Limited	—	—	100,985	100,000
15,000 common shares of Canadian Manoir Industries Limited	—	—	73,343	84,375
Sundry investments in other Canadian companies	81,553	86,125	79,406	85,172
	3,409,113	5,605,609	4,521,372	7,063,741
Sundry mortgages maturing over terms of up to nine years with interest rates ranging from 8% to 12%	1,067,225		1,340,483	
Less: Current portion	179,261		354,251	
	887,964		986,232	
Investment (representing 50% ownership) in and advances to Intertech Industries Inc., ...	124,749		56,185	
10% unsecured note due August 1, 1982 — Husky Injection Molding Systems Ltd.	—		250,000	
	124,749		306,185	
	4,421,826		5,813,789	

Mortgages receivable include $114,387 in U.S. funds.

4. INVESTMENT IN UNCONSOLIDATED SUBSIDIARY

Hardee Farms International Ltd. (Hardee), a subsidiary, has invested technology together with cash of $250,000 to acquire 65% of the issued capital stock of Creston Valley Foods Ltd. (Creston). By agreement with the Province of British Columbia, Hardee may elect prior to April 15, 1980 to withdraw from Creston. If such an election is made, the shares would be returned to the Province after any net current assets are distributed to the shareholders. The audited financial position of Creston as at March 31, 1979 was as follows:

	$
Current assets	285,670
Current liabilities	298,664
Working capital deficiency	(12,994)
Fixed assets	1,698,220
Technology, deferred development costs and other intangibles	1,145,079
	2,830,305
Long-term debt	1,756,601
Shareholders' equity	1,073,704

5. FIXED ASSETS

Fixed assets are as follows:

	1979 $	1978 $
Buildings and equipment — at cost	15,299,400	15,028,799
Accumulated depreciation	7,223,606	6,581,793
	8,075,794	8,447,006
Land — at cost	1,834,239	1,964,262
Other lands (approximately 4,600 acres) — at values assigned by the directors in 1971	600,000	600,000
	2,434,239	2,564,262
	10,510,033	11,011,268

6. OTHER LAND

Other land consists of:

	1979 $	1978 $
Rivalda Farms — at cost, plus carrying charges	770,562	756,824
Other	115,701	115,701
	886,263	872,525

The Rivalda Farms property is located within a parkway belt around Metropolitan Toronto established by the Province of Ontario, which restricts the use of the land. The directors are satisfied as to the carried values of the land.

7. BANK ADVANCES AND ACCEPTANCES

Bank advances and acceptances are secured by a pledge of shares in a subsidiary, assignment of book debts, inventories, fire insurance policies, mortgages receivable and a $3,500,000 debenture on the assets of a subsidiary company.

8. LONG-TERM DEBT

Long-term debt is as follows:

	Current $	Long-term $	1979 Total $	1978 Total $
Bank loans at interest rates ranging from prime plus 1-1/2% to prime plus 2%, due between November 16, 1979 and October 15, 1985 . .	935,655	3,456,265	4,391,920	5,375,720
Sundry mortgages and notes at interest rates ranging from 6% to 12-1/4%, due between January 1, 1981 and June 15, 1990	137,192	1,397,197	1,534,389	1,227,229
Bank loan secured by holdings of long-term investments at an interest rate of prime plus 1%	—	150,000	150,000	2,267,000
	1,072,847	5,003,462	6,076,309	8,869,949

Interest on long-term debt for the current year amounted to $723,197.

9. MINORITY INTEREST

Minority interest is as follows:

	1979 $	1978 $
Hardee Farms International Ltd.	2,892,978	2,571,406
Federal Diversiplex Limited (note 2)	—	421,880
	2,892,978	2,993,286

10. CAPITAL STOCK

During the year the company acquired on the open market 11,666 Class A preference shares for $65,633. These shares have been cancelled from the authorized capital stock of the company.

Dividend payments, if any, in any fiscal year on the Class A non-cumulative preference shares and the common shares are to be made in the following order:

(a) a 5¢ dividend is to be paid on the preference shares before any dividend is paid on the common shares,

(b) then a 5¢ dividend is to be paid on the common shares, and

(c) then the same dividend is to be paid on the common and preference shares.

The Class A non-voting preference shares rank equally with the common shares in all other respects.

11. EXTRAORDINARY ITEMS

	1979 $	1978 $
Gain on disposal of investments, net of income taxes of $555,000	1,700,760	—
Write-down to estimated realizable value of fixed assets held for sale	(60,877)	—
Gain on sale of fixed assets	56,825	251,112
Recovery of income taxes on application of current year's loss	—	95,000
Reduction of income taxes arising from prior years	222,000	27,000
Loss on investment in and advances to Bestpac Limited on discontinuance of operations	—	(315,094)
Write-off of start-up costs of Straub Industries Inc. on discontinuance of operations	—	(206,681)
	1,918,708	(148,663)
Minority interest therein	26,136	27,062
	1,892,572	(121,601)

12. FUTURE INCOME TAXES

The following amounts are available to reduce future income taxes:

	Subsidiaries $
Losses available for tax purposes	
— expiring in 1982	761,000
— expiring in 1983	846,000
— expiring in 1984	436,000
	2,043,000
Excess of depreciation recorded in the accounts over capital cost allowance claimed for tax purposes	1,667,000
The tax effects of the above have not been reflected in the accounts	3,710,000
In addition, future income tax payments could be deferred by refiling tax returns and claiming additional capital cost allowance in the amount of approximately	2,879,000
	6,589,000

13. REMUNERATION OF DIRECTORS AND OFFICERS

The aggregate direct remuneration paid by the company and its consolidated subsidiaries to the directors and senior officers (as defined in The Securities Act of Ontario) of the company during its fiscal year ended June 30, 1979 was $336,905.

ALGONQUIN MERCANTILE CORPORATION
FIVE YEAR SUMMARY

	1979 $	1978 $	1977 $	1976 $	1975 $
RESULTS FOR THE YEAR					
Sales	33,408,940	32,977,131	32,670,119	28,323,887	23,286,689
Earnings before the following	2,131,303	737,471	1,471,810	2,675,180	2,817,021
Depreciation	764,078	797,487	716,729	606,325	504,593
Interest	1,714,668	1,555,026	1,415,790	1,089,999	731,402
Income taxes	(281,250)	(43,000)	(236,955)	415,000	681,800
Minority interest (loss)	(87,484)	(605,050)	(298,681)	220,830	360,112
Earnings (loss) before extraordinary items	21,291	(966,992)	(125,073)	343,026	539,114
Extraordinary items	1,892,572	(121,601)	669,255	820,819	112,308
Net earnings (loss)	1,913,863	(1,088,593)	544,182	1,163,845	651,422
YEAR-END POSITION					
Total assets	33,022,435	32,575,566	31,891,249	28,751,325	25,014,510
Total liabilities	23,269,214	24,480,185	22,623,673	19,606,762	16,911,463
Shareholders' equity	9,753,221	8,095,381	9,267,576	9,144,563	8,103,047
PER SHARE OF CAPITAL STOCK					
Earnings (loss) before extraordinary items	3¢	($1.49)	(18¢)	47¢	73¢
Net earnings (loss)	$3.01	($1.68)	79¢	$1.60	89¢
Dividends	30¢	10¢	10¢	5¢	—
Equity	$15.37	$12.53	$14.27	$12.77	$11.07
Total shares outstanding	634,460	646,126	649,362	715,956	732,239